

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2346 - SB 2208

January 30, 2012

SUMMARY OF BILL: Removes current statutory provisions requiring local education agencies (LEAs) and individual schools to meet performance goals based on adequate yearly progress (AYP). Requires the State Board of Education (SBOE), in consultation with the Commissioner of Education, to establish appropriate performance goals and measures. Requires the Commissioner of Education to present annual achievement and achievement gap closure goals to the SBOE. Restructures achievement and achievement gap targets for the state, LEAs, schools, and student subgroups. Requires the Commissioner of Education to recommend to the SBOE a list of all schools that shall be placed in priority, focus, or reward status. Authorizes schools receiving priority status to be placed in the Achievement School District (ASD). Requires schools placed on focus status to submit a corrective action plan to the Commissioner of Education. Asks schools placed on reward status to share their best practices. Authorizes LEAs to develop an Innovation Zone to monitor and improve schools designated as priority schools. Requires LEAs that develop Innovation Zones to establish an Innovation Zone office which shall have autonomy over financial, programmatic, and staff decisions at priority schools placed within the Innovation Zone. Replaces multiple statutory references to AYP.

Removes statutory provisions relating to the establishment and operation of an Achievement School District (ASD). Reauthorizes the Commissioner of Education to establish an ASD and to contract with entities to operate ASD schools. Authorizes the Commissioner of Education to assign any school or grade configuration within a school to the ASD any time such school is designated as priority status. Authorizes the ASD to receive, control, and expend local, state, and federal funding for the operation of its schools. Requires that the ASD receive state and local per pupil expenditures for students within its jurisdiction. Authorizes the ASD to receive donations of funds, property, or securities from any source for the benefit of the ASD and the schools within it. Requires that any state and local funds allocated to the ASD but not expended to support an ASD school or LEA to be placed in a special reserve fund. Returns this funding to the LEA upon removal from the ASD.

Authorizes the ASD to use any school building and all facilities and property otherwise part of the school free of charge with the exception of its responsibility for routine maintenance and utilities. Specifies that capital expenses and extensive repairs are the responsibility of the home LEA. Requires that improvements made to a school while under ASD control shall revert to the LEA upon removal from the ASD.

Classifies employees of schools transferred into, and directly operated by, the ASD as ASD employees. Designates these employees as executive service employees and places them under ASD governance. Requires the ASD to develop written employment procedures and compensation and benefit plans. Prohibits ASD employees from engaging in professional

negotiations. Maintains teachers' rights related to accumulated sick leave, retirement, and pension and tenure status. Authorizes the ASD or other contract entity operating an ASD school to apply to the Commissioner of Education for waiver of any SBOE rule inhibiting the school's ability to increase student achievement. Prohibits the Commissioner from waiving certain enumerated rights.

Requires a school removed from an LEA and placed in the ASD to remain in the ASD for a minimum of five years, but authorizes the Commissioner of Education to remove any school from the ASD at any time. Establishes a transition plan for the removal of schools and LEAs from the ASD. Directs the ASD to be the chartering authority for any charter school placed within the ASD. Requires any contracts to operate schools placed within the ASD to include provisions mandating a report of funds received and expended pursuant to such contracts. Requires that these reports be provided to the Department of Education and the Comptroller of the Treasury.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Increase Local Expenditures – Not Significant

Other Fiscal Impact – State and local BEP funding will shift from the local education agency to the Achievement School District. The Department of Education estimates that this shift in funding will be \$11,786,100 in FY13-14; \$37,438,200 in FY14-15; and \$38,651,200 in FY15-16. Local funding may be permissively reallocated or increased to fund Innovation Zones. The total amount of this permissive reallocation cannot be reasonably quantified and is dependent upon the number of Innovation Zones established.


Assumptions:

- State and local BEP funding will shift from the LEA into the ASD as more schools are placed into the ASD. However, the shift of this funding is currently authorized absent any other funding to operate an ASD school.
- No increase in state or local expenditures will result from schools shifting their home LEA into the ASD. LEAs will continue to fund their required local match for any school placed within the ASD just as if under LEA control.
- According to the Department of Education, an estimated six schools will be in the ASD in FY12-13; 18 schools in FY13-14; and 35 schools in FY14-15.
- Provisions related to restructuring LEA school classifications for the purpose of achievement will not require additional personnel or a decrease in other budget items. Any increase in state expenditures to restructure the achievement and achievement gap system will be not significant.

- Any increase in state expenditures for the SBOE to review the list of schools and their classifications or to promulgate rules and regulations required by these changes will be not significant.
- School personnel and equipment in schools placed into the ASD will become part of the ASD.
- LEAs that choose to establish Innovation Zones will reallocate existing funding and personnel to fund the Innovation Zone. If necessary, LEAs may permissively increase local expenditures; however, this increase cannot be reasonably quantified.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read 'Lucian D. Geise', written in a cursive style.

Lucian D. Geise, Executive Director

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